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C O N F I D E N T I A L SECTION 01 OF 04 STATE 147334

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TAGS: [PREL](#) [PGOV](#) [KG](#)
SUBJECT: INAUGURAL U.S.-KYRGYZ COMPREHENSIVE POLICY
DIALOGUE

REF: BISHKEK 490

Classified By: Deputy Assistant Secretary Evan A. Feigenbaum
for reasons 1.4 (b & d).

¶1. (C) Summary. On September 27, the United States and Kyrgyzstan inaugurated an interagency "Comprehensive Policy Dialogue." In over three hours of discussion with U.S. officials responsible for Central Asia representing seven agencies, Kyrgyz Foreign Minister Ednan Karabayev reviewed security cooperation, economic development, political and democratic reform, and the role of U.S. assistance in these areas. Karabayev termed the relationship a "strategic partnership." Both sides agreed on the need to continue successful operation of Manas Air Base while further developing a broad relationship that transcends the Base. Karabayev expressed confidence that the October 21 constitutional referendum would reflect the consolidation of democracy in Kyrgyzstan; the U.S. side cautioned that the referendum be conducted transparently. The two sides agreed on some specific steps to move the relationship forward (see paragraph 12). End Summary.

¶2. (C) Karabayev and SCA Deputy Assistant Secretary Evan Feigenbaum agreed to establish the Comprehensive Policy Dialogue in Bishkek in April 2007 (see reftel). Feigenbaum noted that the Dialogue could help to restore greater consistency and predictability to U.S.-Kyrgyz relations. Karabayev criticized observers, especially in the press, for focusing disproportionately on Manas Air Base as the basis of the relationship, adding that the Base had become "politicized." This overemphasis on the Base was unfortunate, in his view, because it hindered Kyrgyzstan's primary goal of promoting Western values in Central Asia. He proposed developing a program for deepening relations, culminating in a possible visit to the United States by President Bakiyev.

Assistance

¶3. (C) Coordinator Thomas Adams noted that U.S. government assistance for Central Asia had kept fairly steady, despite declining budgets overall. He asked the Minister to revive the previous Kyrgyz practice of designating a single point of contact within the Ministry of Foreign Affairs for assistance issues. Karabayev agreed. Karabayev outlined his priorities for assistance: reduction of Kyrgyzstan's debt in order to promote stable development; educational programs, in particular in vocational fields, and independent evaluation programs at all levels; social development; reform of the health program; and programs to combat child labor and human

trafficking. Karabayev noted the importance of Kyrgyzstan's selection as a Millennium Challenge Threshold country; he said the proposed constitutional changes would not affect those steps taken in the run-up to the Threshold Program. He also expressed interest in eventually qualifying for a Millennium Challenge Compact. Adams noted the ongoing U.S. program to promote educational reform at the primary level; the university entrance exam program; and the successful efforts to reform primary health care payments.

Security Cooperation

14. (C) Karabayev said the reason Manas is widely perceived as the main issue in the bilateral relationship is the strong influence of civil society on public discourse in Kyrgyzstan.

Just as the United States insists on transparency in such areas as the conduct of referenda or elections, the people of Kyrgyzstan sought transparency in the U.S. government's operation of the Base. Although it receives many queries regarding the base, the Ministry of Foreign Affairs stays mum, leaving it to the United States to explain its actions. He even suggested that these demands of public opinion were what compelled President Bakiyev to speak somewhat harshly ("zhestko") to Secretary of Defense Gates. Karabayev proposed trying to decrease the Base's impact on the overall relationship, but stressed that the United States needs to bring closure to Base issues that have become long-term

STATE 00147334 002 OF 004

irritants in the bilateral relationship. Any response to Kyrgyz questions and requests about the Base, he underscored, was better than no response.

15. (C) Deputy Assistant Secretary of Defense Mitchell Shivers assured Karabayev the Department of Defense was working to address systematically Kyrgyz concerns. Although he understood that the Kyrgyz side was anxious for answers, the United States had to operate in accordance with established laws and procedures, including those protecting individual rights. Shivers indicated Defense would seek to be more "agile and responsive." Feigenbaum noted some ways in which the United States had, in fact, been quite responsive to Kyrgyz concerns, including holding a seminar about business opportunities at the Base and in Afghanistan, as specifically requested by President Bakiyev. The United States had also taken Kyrgyz parliamentarians and others to the Base and Kabul. Karabayev expressed appreciation for these steps, noting as well a recent trip by a Defense team to Bishkek to discuss ecological issues.

16. (C) Karabayev raised the issue of a radar system for Manas. Although he noted that equipment for Manas was not a key element in the relationship, he suggested the radar was important for both the United States and Kyrgyzstan. Shivers replied that Defense was currently trying to identify resources to pay for a radar. Karabayev complained that Kyrgyzstan, and the Ministry of Foreign Affairs in particular, lack a system for providing information about the Base to the public, such as a broadcast studio. The Ministry does not have the tools to affect public opinion, he said. Turning to other security issues, Karabayev noted that resolution of border disputes with Tajikistan and Uzbekistan remain complicated, and the flow of narcotics will not come under control until living standards are raised. Relations with Tajikistan and Uzbekistan are relatively good; border issues are discussed rationally, but regional integration will only be possible when the borders are well-defined and secure.

Economic Development

17. (C) Karabayev listed a number of steps Kyrgyzstan had

taken to improve the economic environment: adoption of 55 laws to improve the investment climate; establishment of an investment council; introduction of electronic visas; continuing privatization, with 70% of the economy now in private hands; establishment of four free economic zones; and reduction of taxation of legal entities from 30% to 20%. As a result, Kyrgyzstan has improved 14 places (to 90) in the World Bank's "Doing Business" report, and of 21 banks, only three are state-owned, and 11 have foreign ownership. Karabayev explained that Kyrgyzstan is focused on creating joint production ventures, finding export markets, and making the transition from exporting raw materials to exporting manufactured goods.

18. (C) Deputy Assistant Secretary of Commerce Paul Dyck expressed the U.S. government's interest in increasing the level of commercial engagement with Kyrgyzstan, enumerating prior steps and existing programs: the "Doing Business with the U.S.A." seminar; two regional transportation events; the ongoing Special American Business Internship Training (SABIT) program; and a visit by Secretary Gutierrez in 2005. He encouraged Kyrgyzstan to work closely with the American Chamber of Commerce in Bishkek. Karabayev noted that privatization of the hydroelectric sector had begun. U.S. Trade and Development Agency (TDA) Country Manager Scott Greenip listed specific projects TDA has funded in support of the Central Asia-South Asia power corridor, including a power transmission project just signed in Kyrgyzstan. A number of TDA grants had faced extended ratification delays in parliament; he therefore requested that Karabayev work to simplify the process, for instance through a threshold exemption for grants below a certain amount of money.

19. (C) Treasury Deputy Director Jeff Baker noted that the United States is pushing certain international financial institutions, such as the European Bank for Reconstruction and Development and the International Finance Corporation, to do more to promote private investment in Kyrgyzstan. He emphasized the importance of establishing a very sound investment climate, adding that the recent period of abundant liquidity in global financial markets may be coming to a close. If so, investment will be harder to come by going

STATE 00147334 003 OF 004

forward. Baker agreed with the minister that Kyrgyzstan's debt burden represented a major impediment to the country's development goals, but the Government of Kyrgyzstan decided not to pursue relief under the only available means -- the Highly Indebted Poor Countries (HIPC) Initiative. At this point, Kyrgyzstan's only option to lessen the debt burden was to grow its economy, as was the case in Georgia and Armenia. Karabayev agreed the only sustainable solution was to increase growth and pledged to repay Kyrgyz debts in full. Baker noted that Treasury was examining the possibility of a new advisor, depending on the government's interest. Karabayev responded that it would be best to follow up directly with Finance Minister Japarov, while noting that an advisor to the Prime Minister could become too personalized and arbitrary.

Political and Democratic Reform

110. (C) Karabayev suggested that the draft constitution to be considered in an October 21 referendum represented an improvement in Kyrgyzstan's political system, noting for example that its party-list system would create stronger parties. He said it offered Kyrgyzstan a chance to move beyond recent constitutional squabbles. The Kyrgyz people are "tired" of all the debates about constitutions, which have divided more than integrated society, and are ready to choose one and move on. He compared the extended public discussion of the constitution to the public consideration of the HIPC debt relief program, suggesting that reserving more time for debate would not lead to a good end.

¶11. (C) Feigenbaum expressed the U.S. hope that the referendum be conducted transparently and in a fashion that gave voters time to digest the constitution. International perceptions would be affected not just by the substance of the constitution, but by the nature of the process. DRL DAS Erica Barks-Ruggles characterized the establishment of a democratic society as neither easy nor linear, but said the United States tried to evaluate the overall trajectory of development. She offered U.S. assistance and added that many other civil organizations had expertise and could make useful contributions. Karabayev insisted Kyrgyzstan was already following a democratic model of development, calling his country a "Western country in Central Asia." While saying he did not want to be too critical, he suggested Kyrgyzstan's neighbors were not following such a model, and that Kyrgyzstan was working hard to maintain its orientation despite pressure from the outside. He said Kyrgyzstan would announce in Madrid its intention to seek the chairmanship of the Organization for Security and Cooperation in Europe in 2013 or 2014, because such a role would help strengthen western values in Kyrgyzstan. Kyrgyzstan's task now is to maintain those values while strengthening the government, and it needs support in that effort, given today's unfortunate tendency toward the strong hand.

Next Steps

¶12. (SBU) Kyrgyzstan agreed to undertake the following next steps:

- Develop a joint work program to enhance bilateral relations;
- Appoint a single contact point on assistance at the Ministry of Foreign Affairs;
- Discuss enhanced Treasury-Ministry of Finance coordination during the next visit of Finance Minister Japarov.

The United States agreed to:

- Provide background information on U.S. assistance priorities/programs to the Ministry of Foreign Affairs;
- Respond to the Kyrgyz request for a radar at Manas Airport.

Participants

STATE 00147334 004 OF 004

¶13. (U) Participants included:

-- Kyrgyzstan:

Ednan Karabayev, Minister of Foreign Affairs;
Zamira Sydykova, Ambassador to the United States;
Daniyar Mukashev, Deputy Director of the Western Countries,
MFA;
Marina Grechannaya, Adviser to the Minister, MFA;
Kainarbek Toktomushev, Deputy Chief of Mission, Kyrgyz
Embassy;
Ulan Djusupov, Minister Counselor, Kyrgyz Embassy;
Arslan Anarbayev, Minister Counselor, Kyrgyz Embassy;

-- United States:

State:

Evan Feigenbaum, Deputy Assistant Secretary, SCA;
Erica Barks-Ruggles, Deputy Assistant Secretary, DRL;
Thomas Adams, Coordinator of U.S. Assistance for Europe and Eurasia;
Pamela Spratlen, Director, SCA/CEN;

NSC:

Elisabeth Millard, Special Assistant to the President and Senior Director, South and Central Asia;
Jorgan Andrews, Director for South and Central Asia;

USAID:

Douglas Menarchik, Assistant Administrator for Europe and Eurasia;

OSD:

Mitchell Shivers, Deputy Assistant Secretary, Central Asia;

Commerce:

Paul Dyck, Deputy Assistant Secretary, Europe and Eurasia;

USTDA:

Scott Greenip, Country Manager, Europe and Eurasia;

Treasury:

Jeff Baker, Deputy Director, Europe and Eurasia.
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